

## Message Text

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PAGE 01 PARIS 23996 172019Z

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ACTION EUR-12

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TAGS: EIND, FR

SUBJECT: IDEAL STANDARD SITUATION

REF: (A) STATE 215623, (B) PARIS 19884,  
(C) PARIS 19442, (D) PARIS 19420

1. AS FORESEEN IN REFTTEL B IDEAL STANDARD WORKERS  
CAME BACK FROM SUMMER VACATIONS IN SURLY AND APPREHEN-  
SIVE MOOD AND MOUNTED DEMONSTRATION IN CENTRAL PARIS  
SEPTEMBER. ARTICLES APPEARED IN "LEMONDE" AND  
"LES ECHOS" LAST WEEK REVIEWING PAST HISTORY AND  
REPORTING 12 STATEMENTS FROM GOF SOURCES ON POSSIBLE  
SOLUTIONS. PAPERS LEFT IMPRESSION THAT AMERICAN  
STANDARD'S PERFORMANCE IN AFFAIR WAS LESS THAN IDEAL.

2. IN SUBSEQUENT SERIES OF MEETINGS, HOWEVER, BETWEEN  
AMERICAN STANDARD VICE PRESIDENTS O'DONNELL AND  
SACHELL, GOF OFFICIALS, HEADED BY MINISTRY OF INDUSTRY  
DIRECTOR GENERAL DE L'ESTOILE, BECAME PROGRESSIVELY  
MORE MODERATE AND FORTHCOMING IN THEIR DEMANDS ON  
AMERICAN STANDARD. FROM INITIAL POSITION OF INISTENCE  
THAT IDEAL STANDARD ASSUME OBLIGATION FOR ALL ACCOUNTS  
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PAGE 02 PARIS 23996 172019Z

PAYABLE, INCLUDING THOSE TO SUPPLIERS OF RAW MATERIALS

AND COMPONENTS, AND THAT AMERICAN STANDARD ASSIGN FULL RIGHTS TO IDEAL STANDARD'S NAME, TRADEMARKS, AND LICENSES, GOF SPOKESMEN HAVE NOW RETREATED TO REQUEST THAT AMERICAN STANDARD MAKE SMALL CONTRIBUTION (PERHAPS \$500,000) FOR USE TO MEET MOST PRESSING CREDITOR DEMANDS. AMERICAN STANDARD HAD ALREADY AGREED TO INSURE CREDITOR BANKS AGAINST LOSS (REFTEL D) AND TO USE BY IDEAL STANDARD, UNDER COURT-APPOINTED ADMINISTRATOR, OF IDEAL STANDARD TRADENAME AND LICENSES. O'DONNELL CONSIDERS THIS PROPOSAL TO BE UNEXPECTEDLY REASONABLE AND WILL PRESENT IT TO AMERICAN STANDARD BOARD.

3. IN MEANTIME GOF OFFICIALS AND COURT-APPOINTED ADMINISTRATOR HAVE BEEN NEGOTIATING WITH IDEAL STANDARD'S FRENCH COMPETITOR, SGF, FOR SALE OF IDEAL STANDARD ASSETS. UNDERSTANDING IS THAT GOF WILL GIVE FINANCIAL ASSISTANCE TO SGF TO KEEP COMPANY GOING AND PERMIT MORE GRADUAL PHASE-OUT OF UNECONOMIC INSTALLATION AT AULMAY. AMERICAN STANDARD HAS AGREED TO COOPERATE IN ANY APPROPRIATE WAY IN THESE NEGOTIATIONS AND WITH SGF IF A SALE AGREEMENT IS REACHED.

4. AS INDICATED IN REFTEL A, AMERICAN STANDARD WAS CONCERNED THAT GOF AND/OR CREDITOR BANKERS MIGHT SEEK TO APPLY PRESSURE ON AMERICAN STANDARD BY THREATENING TO WITHHOLD FINANCING OR GOVERNMENT PROCUREMENT FROM AMERICAN STANDARD'S OTHER SUBSIDIARY IN FRANCE, WESTINGHOUSE AIR BRAKE COMPANY. INDEED IN CONVERSATIONS LAST WEEK WITH BOTH EMBASSY AND AMERICAN STANDARD OFFICIALS, GOF SPOKESMAN HINTED BROADLY THAT WABCO WOULD BE IN A VULNERABLE POSITION IF AMERICAN STANDARD FAILED TO COOPERATE FULLY. IN MEETING WITH DE L'ESTOILE TODAY, HOWEVER, O'DONNELL WAS CATEGORICALLY ASSURED THAT NEITHER GOF NOR BANKS HAD EVER INTENDED ANY ACTION AGAINST WABCO, AND THAT THEIR ONLY CONCERN WAS THAT AMERICAN STANDARD'S PULLOUT FROM IDEAL STANDARD WOULD NOT SOON BE FOLLOWED BY A PULLOUT FROM WABCO. O'DONNELL ASSURED DE L'ESTOILE THAT DESPITE SOME DIFFICULTIES IN WABCO'S CURRENT LIMITED OFFICIAL USE

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PAGE 03 PARIS 23996 172019Z

OPERATION, AMERICAN STANDARD HAS NO INTENTION OF CLOSING THAT COMPANY OR REDUCING ITS STAFF. DE L'ESTOILE MENTIONED THAT IF AMERICAN STANDARD SHOULD FIND ITSELF IN FURTHER DIFFICULTY IN CONNECTION WITH WABCO OPERATIONS, MINISTRY OF INDUSTRY WILL BE HAPPY TO TO LEND ITS GOOD OFFICES IN FINDING SUITABLE FRENCH BUYER FOR ALL OR PART OF WABCO.

5. AMERICAN STANDARD'S READING OF ALL THIS (WHICH WE SHARE) IS THAT GOF HAS FINALLY RECOGNIZED THAT AMERICAN STANDARD HAS NO INTENTION OF PUTTING ANYMORE SUBSTANTIAL FINANCING INTO IDEAL STANDARD AND THAT ONLY COURSE NOW IS TO SALVAGE AS MUCH AS POSSIBLE FROM WHAT REMAINS. WHILE GOF WAS INSTRUMENTAL IN BRINGING SGF INTO PICTURE, WE DO NOT BELIEVE THAT GALLICISING OF IDEAL STANDARD IS PRIMARY FRENCH OBJECTIVE. THEIR MAIN CONCERN AT THIS TIME APPEARS TO BE TO PREVENT PRECIPITOUS DISEMPLOYMENT AND MINIMIZE LABOR UNREST. AN ANCILLORY OBJECTIVE IS TO AVOID BANKRUPTCY AMONG MANY RELATIVELY SMALL CONCERNS WHICH HAVE BEEN SUPPLIERS OF RAW MATERIALS AND COMPONENTS TO IDEAL STANDARD.  
RUSH

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## Message Attributes

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